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April 22, 2014

Chair Ann Kobayashi
Budget Committee
Honolulu City Council
City and County of Honolulu
Honolulu, HI 96813-3077

RE: Bill 18, Relating to the Minimum Real Property Tax (Budget Committee 4/23/14)

Dear Chair Kobayashi, Vice Chair Chang, and members of the Budget Committee:

The Hawai'i Alliance of Nonprofit Organizations (HANO) is a statewide professional association for nonprofits that unites and strengthens the nonprofit sector as a collective force to improve the quality of life in Hawai'i. It works in the areas of leadership and convenings, advocacy and public policy, research and information, communications, professional development, products and capacity building services for its members. HANO members provide essential services across every community in the state.

The Hawai'i Alliance of Nonprofit Organizations has serious concerns regarding Bill 18. With no dollar commitments in the current version of Bill 18, it is not clear what this committee's intent is regarding changes to the minimum real property tax in accordance with Section 8.10.10 (real property tax exemptions for charitable purposes). If the intent is to incrementally raise the minimum real property tax beyond the current tax of \$300 annually, we worry that there is a slippery slope associated with this increased tax, paving the way for future taxation and perhaps a challenge to the real property tax exemption altogether. The amount of this annual tax was already raised to \$300 from \$100 in 2010.

Nonprofits are tax-exempt because they provide a social good in education, health and human services, housing, support to the elderly and youth, and other critical services that government would otherwise have to furnish. Nonprofits are able to provide these services more cost-effectively, and increased taxation would add tremendously to their overhead costs and reduce their resources for serving the community.

We understand the need to balance the city's budget—a considerable challenge in this current fiscal climate—and we appreciate the City Council's efforts to create more funding streams to support nonprofit service delivery. However, nonprofit resources are extremely challenged at this time, having not quite recuperated from the recession and demand for nonprofit services continues to be very high.

We understand that the Real Property Tax Commission will be convening soon. We suggest that this bill be deferred until the commission has an opportunity to discuss the issue. Thank you for the opportunity to provide testimony regarding our concerns about Bill 18.

Sincerely,
Nikki Love Kingman
Public Policy Director